

# PUBLIC DISCLOSURE

October 14, 1997

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens Bank  
RSSD #18144

115 Block Street  
Marion, Arkansas 72364

Federal Reserve Bank of St. Louis

P.O. Box 442

St. Louis, Missouri 63166-0442

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal Reserve concerning the safety and soundness of this financial institution.

## TABLE OF CONTENTS

I. General Information	1
II. Institution Rating	1
III. Description of Institution	1
IV. Description of Assessment Area	2
V. Conclusions	5

## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Citizens Bank** prepared by the **Federal Reserve System**, the institution's supervisory agency, as of October 14, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

**INSTITUTION'S CRA RATING:**    *This institution is rated satisfactory.*

*Citizens Bank meets the necessary criteria to receive a satisfactory rating. An institution in this category has a reasonable performance record and adequate involvement in activities undertaken to help meet the credit needs of its entire assessment area, particularly in low- and moderate-income neighborhoods and to low- and moderate-income borrowers, in a manner consistent with institutional capacity and constraints, assessment area credit needs and opportunities, relevant demographic and economic factors and safe and sound banking practices.*

## DESCRIPTION OF INSTITUTION

*Citizens Bank is located in Marion, Arkansas. It is owned by First Citizens Bancshares Company, a single-bank holding company also located in Marion, Arkansas. The bank has one branch which is located in nearby West Memphis, Arkansas, also within Crittenden County. Both branches are full-service and offer 24-hour Automatic Teller Machine (ATM) access, with deposit taking capabilities. In addition, the bank owns and operates a cash dispensing ATM at a Marion convenience center.*

*Citizens Bank has the ability to meet the credit needs of its defined assessment area based on the bank's asset size, financial condition, and other resources. As of June 30, 1997, the bank reported total assets of \$57.8 million. The bank has gross loans of \$33.0 million, which represent 57.0 percent of the total assets. Significant portions of bank asset resources are directed to such consumer products as 1-4 family residential credits and personal loans to consumers. A breakdown of the bank's loan portfolio is displayed in the table below.*

Distribution of Assets in the Loan Portfolio		
Credit Product Type	Amount (in 000s)	Percentage of Gross Loans

Loans Secured by Real Estate:		
Construction & Development	\$3,690	11.2%
Agricultural	\$1,083	3.3%
1-4 Family Residential	\$5,362	16.3%
Non-Farm/Non-Residential	\$8,731	26.5%
Farm Loans	\$2,158	6.5%
Commercial & Industrial Loans	\$6,007	18.2%
Personal Loans	\$5,538	16.8%
All Other Loans	\$403	1.2%
<b>TOTAL GROSS LOANS</b>	<b>\$32,972</b>	<b>100%</b>

The above table demonstrates that the Citizens Bank is an active lender in all segments of commercial lending, with significant portions of assets going to both consumer and business credits, and to a lesser degree, agricultural credits. Consumer credits, both residential and personal, total 33.1 percent of the bank's gross loans.

As part of the CRA examination, the bank's performance was evaluated in relation to the performance of its competitors.

This is the first time Citizens Bank has been assessed under the revised CRA. The bank received a satisfactory CRA rating at its previous examination conducted on September 12, 1994, from the Federal Deposit Insurance Corporation.

## DESCRIPTION OF ASSESSMENT AREA

The assessment area for Citizens Bank of Marion, Arkansas includes 12 census tracts in the Memphis Metropolitan Statistical Area (MSA). The total of the census tracts comprises Crittenden County, Arkansas. Crittenden County is located in east-central Arkansas, directly across the Mississippi River from Shelby County, Tennessee, which comprises the greater part of the Memphis MSA. Marion borders West Memphis and has become a suburb to West Memphis and Memphis.

<p style="text-align: center;"><b>Assessment Area</b> <b>Geographical Information by Income Level<sup>1</sup></b></p>
---

<sup>1</sup> Low-income is defined as individual income, or in the case of a geography, a median family income that is less than 50 percent of the MSA median family income.

Moderate-income is defined as individual income, or in the case of a geography, a median family income that is at least 50 percent and less than 80 percent of the MSA median family income.

Middle-income is defined as individual income, or in the case of a geography, a median family income that is at least 80 percent and less than 120 percent of the MSA median family income.

<b>Tract Location</b>	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	<b>TOTAL</b>
<b>Crittenden County</b>	3	5	4	0	<b>12</b>
	25.0%	41.7%	33.3%	0.0%	<b>100%</b>
<b>Families Residing in Each Income Category</b>	1,968	3,503	7,758	0	<b>13,229</b>
	14.9%	26.5%	58.6%	0.0%	<b>100%</b>

The 1990 census data shows the median family income for the assessment area as \$25,303. For the state of Arkansas, the median family income is \$25,395, and for the entire Memphis MSA the figure is \$31,990. The disparity between the incomes of the assessment area and the MSA is due to the influence of higher per capita incomes in Shelby County, Tennessee (Memphis).

The following table displays population percentages of the assessment area families by income level, in comparison to the MSA as a whole.

<b>Distribution of Households That Are Families by Income Levels</b>					
<b>1990 Census Data</b>	<b>Low-Income</b>	<b>Moderate-Income</b>	<b>Middle-Income</b>	<b>Upper-Income</b>	<b>TOTAL</b>
<b>Families Residing in Assessment Area</b>	4,250	2,436	3,095	3,448	<b>13,229</b>
	32.1%	18.4%	23.4%	26.1%	<b>100%</b>
<b>Families Residing in MSA</b>	61,800	41,970	53,315	106,505	<b>263,590</b>
	23.4%	15.9%	20.2%	40.4%	<b>100%</b>

According to the 1996 Arkansas Statistical Abstract-ULAR, the current estimate for the population of the MSA is 965,000. The estimated population of the assessment area is 51,036. From 1980 to 1990, the MSA experienced population growth of approximately 7.5 percent. However, in the same time period, the assessment area's population grew less than 1 percent.

---

Upper-income is defined as borrower income, or in the case of a geography, a median family income that is 120 percent or more of the MSA median family income.

*The unemployment rate for the assessment area is 4.7 percent, which compares favorably with the 5.0 percent figure for the state of Arkansas<sup>2</sup> and 5.1 percent figure for the Memphis MSA<sup>3</sup>.*

*The employment stability and economic stability of the assessment area are largely due to its beneficial geographical position. Interstate Highways 40 (East-West) and 55 (North-South) intersect in the assessment area. The Mississippi River ports of Memphis and West Memphis and the junctions of several rail-lines also serve to make the area a regional transportation and distribution hub. The assessment area's economy benefits from the presence of a large inter-modal facility which transfers truck trailers to rail cars and vice-versa. A larger facility is under construction.*

*In addition, there is a high level of agriculture in the assessment area, with cotton being the primary cash crop. Secondary crops are grain and livestock.*

*One community contact interview was conducted in conjunction with this CRA assessment. The contact stated that the West Memphis economy is generally strong, with growth taking place in the commercial and industrial sectors. In his opinion, the primary reason for the lack of population growth is that Tennessee has no personal income tax, so many potential buyers choose to live in Tennessee. He also stated that there is a lack of prime residential development land due to the large land use devoted to commercial and industrial purposes. Furthermore, the contact suggested there is a stated need for community development in the city of West Memphis for public transportation, neighborhood revitalization programs, and assistance to low-income home buyers. Local financial institution participation in these projects, especially the home buying assistance programs, is high. Only one institution (not Citizens Bank) was mentioned as not being receptive to the agency's programs. Overall, local financial institutions appear to be meeting the credit needs of the community.*

---

<sup>2</sup>Arkansas Employment Security Division.

<sup>3</sup>Tennessee Department of Employment Security.

## CONCLUSIONS WITH RESPECT TO THE PERFORMANCE CRITERIA:

### Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is exceptional given its performance context, which includes the bank's capacity to lend, the capacity of other similarly-situated banks to lend, demographic and economic factors, and lending opportunities available in the bank's assessment area. Citizens Bank identified three financial institutions as regional competitors, two small independent banks and a medium sized savings and loan. Although their asset sizes varied, Citizens Bank had fewer total assets than its regional competitors. The LTD ratios for the bank and its three regional competitors are displayed below.

Loan-to-Deposit Ratio Analysis		
NAME	ASSET SIZE <sup>4</sup> (in 000s)	AVG LTD <sup>5</sup>
Citizens Bank	\$57,813	64.6%
Regional Bank Competitors	\$74,074	44.3%
	\$108,903	40.3%
	\$467,872	88.5%

The first two competitors more closely resemble Citizens Bank regarding asset size, bank structure, and lending territory, than the third. Therefore, these two entities provided the context when assessing Citizens Bank's lending performance. Citizens Bank's average LTD ratio of 64.6 percent is substantially higher than its two primary competitors. Based on the findings presented in this section, Citizens Bank exceeds the standards for a satisfactory assessment under this performance category.

---

<sup>4</sup> Total assets as of June 30, 1997, Consolidated Reports of Condition and Income.

<sup>5</sup> This figure represents an eleven quarter average dating back to the quarter ending nearest the previous consumer affairs examination (September 12, 1994).

### Lending in the Assessment Area

A review of a statistical sample of home mortgage<sup>6</sup> loans and consumer loans secured by a motor vehicle revealed a substantial majority of the bank's loans were located within the bank's assessment area. The following table identifies by loan type, the number, dollar volume, and percentage of loans originated inside the bank's assessment area.

<b>Distribution of Loans In/Out of the Assessment Area</b>					
<b>Loan Type</b>	<b>Sample Size</b>	<b>Number in Assessment Area</b>		<b>Dollar Amount in Assessment Area (in 000s)</b>	
Home Mortgage	71	67	94.4%	\$2,409	87.6%
Consumer - Motor Vehicle	92	83	90.2%	\$836	91.8%
<b>TOTAL</b>	<b>163</b>	<b>150</b>	<b>92.0%</b>	<b>\$3,245</b>	<b>88.6%</b>

As illustrated in the table above, the vast majority of Citizens Banks lending, by both number and dollar amounts, is located within its assessment area. This trend was evidenced in both loan categories analyzed. Consequently, the bank's performance in this area exceeds the standards for satisfactory performance.

### Lending to Borrowers of Different Incomes

A review of the distribution of loans for the product lines sampled reveals that the bank meets the standards for satisfactory performance. The bank's distribution of loans, categorized according to borrower gross annual income characteristics, is illustrated in the table following table.

<b>Distribution of Loans (Number and Dollar Volume in 000s) Inside Assessment Area by Income Level of Borrower</b>
--

---

<sup>6</sup> While lending activity for the most recent six months prior to this examination date was reviewed for the consumer - motor vehicle product line, the home mortgage category includes home purchase, home improvement, home refinance, and multi-family dwelling transactions for the entire year of 1996 and through September 1997.



Loan Type	Borrower Income Classification				Totals
	Low-	Moderate-	Middle-	Upper-	
Home Mortgage	7 10.8%	17 26.2%	15 23.1%	26 40.0%	<b>65</b> <b>100%</b>
	\$61 2.6%	\$193 8.3%	\$313 13.5%	\$1,745 75.5%	<b>\$2,312</b> <b>100%</b>
Consumer - Motor Vehicle	14 18.4%	22 28.9%	24 31.6%	16 21.1%	<b>76</b> <b>100%</b>
	\$66 8.9%	\$157 21.2%	\$316 42.7%	\$201 27.2%	<b>\$740</b> <b>100%</b>
<b>TOTAL</b>	<b>21</b> <b>14.9%</b>	<b>39</b> <b>27.7%</b>	<b>39</b> <b>27.7%</b>	<b>42</b> <b>29.8%</b>	<b>141</b> <b>100%</b>
	<b>\$127</b> <b>4.2%</b>	<b>\$350</b> <b>11.5%</b>	<b>\$629</b> <b>20.6%</b>	<b>\$1,946</b> <b>63.8%</b>	<b>\$3,052</b> <b>100%</b>
Assessment Area Family Population	32.1%	18.4%	23.4%	26.1%	<b>100%</b>

As shown in the above table, of the 65 home mortgage loans originated within the bank's assessment area, 24 (37.0 percent) were made to borrowers who were categorized as low- or moderate-income. Likewise, for the consumer loans secured by a motor vehicle category, 36 of 76 credits analyzed were granted to low- and moderate-income designated borrowers. This figure represents 47.3 percent of lending activity for this product line. Population characteristics for the bank's assessment area indicate 50.5 percent of the population is comprised of low- and moderate income borrowers. Likewise, close to half of the overall credits reviewed were originated to low- and moderate-income borrowers. This information indicates that the bank is accommodating to the credit needs of lower income individuals; thus, the bank meets the standards for satisfactory performance in this assessment category.

### Geographic Distribution

An analysis of the product lines chosen to represent the bank's lending activity reveals adequate credit penetration throughout the assessment area. The following table illustrates the number and dollar amount of loans categorized by the income level<sup>7</sup> of the census tract in which a loan is located.

Geographic Distribution of Loans (Number and Dollar Volume in 000s) Across Assessment Area by Income Level of Census Tracts					
Loan Type	Census Tract Income Classification				Total
	Low	Moderate	Middle	Upper	
Home Mortgage	3	11	53	0	<b>67</b>

<sup>7</sup> The distribution of loans to individuals by income level is determined using the income definitions in footnote one, but is based on the 1997 metropolitan median family income figure of \$39,100, as made available by the Department of Housing of Housing and Urban Development, rather than 1990 census data.

	4.5%	16.4%	79.1%	0.0%	<b>100%</b>
	\$45	\$431	\$1,933	\$0	<b>\$2,409</b>
	1.9%	17.9%	80.2%	0.0%	<b>100%</b>
Consumer - Motor Vehicle	2	15	66	0	<b>83</b>
	2.4%	18.1%	79.5%	0.0%	<b>100%</b>
	\$35	\$135	\$666	\$0	<b>\$836</b>
	4.2%	16.1%	79.7%	0.0%	<b>100%</b>
<b>TOTAL</b>	<b>5</b>	<b>26</b>	<b>119</b>	<b>n<sup>8</sup></b>	<b>150</b>
	<b>3.3%</b>	<b>17.3%</b>	<b>79.3%</b>	<b>0.0%</b>	<b>100%</b>
	<b>\$80</b>	<b>\$566</b>	<b>\$2,599</b>	<b>\$0</b>	<b>\$3,245</b>
	<b>2.5%</b>	<b>17.4%</b>	<b>80.1%</b>	<b>0.0%</b>	<b>100%</b>
Families Residing in Each Census Tract	14.9%	26.5%	58.6%	0.0%	<b>100%</b>

*Of the 150 loans reviewed for this performance assessment category, 31 (20.6 percent) were granted to borrowers residing in a census tract designated as either low-income or moderate-income. These loans totaled approximately \$646,000 (19.9 percent) of the total dollar amount of loans evaluated. The 1990 census data indicates that 41.4 percent of the bank's assessment area population resides in either a low- or moderate-income census tract. The figures presented in this section indicate satisfactory penetration throughout the bank's assessment area, and consequently, Citizens Bank meets the standards for satisfactory performance under this assessment factor.*

### **Review of Complaints**

No CRA-related complaints have been received since the prior examination.

### **Additional Information:**

A fair lending analysis was performed to assess compliance with the Equal Credit Opportunity and the Fair Housing Acts. The analysis revealed that the bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. Furthermore, results of the analysis suggested that applications were actively solicited from all segments of the bank's assessment area.

---

<sup>8</sup> There are no upper-income designated census tracts located in the bank's assessment area.